



Infrastructure
Management Group, Inc.



City of Worcester

Worcester Regional Airport

**Airport Aviation and Airline
Strategic Planning and Marketing**

Contract No. 73-8221J
EXECUTIVE SUMMARY

November 2005



Overview

This report addresses four critical issues regarding Worcester Regional Airport's (ORH) future.

1. Critical Airport Issues Review
2. Future Operation/Governance
3. Air Service Marketing Strategy
4. Recommendations for the Future



Critical Issues/Review of Airport's Current Status

Worcester Regional Airport (ORH) is a valuable regional transportation facility and can become an asset to Worcester's economic development.

- ✈ ORH does not have any critical barriers preventing it from providing commercial air service.
- ✈ With existing Instrument Landing System (ILS) technology, inclement weather, such as fog, is not a material obstacle to commercial service operations.*
- ✈ Ground access to/from downtown and major highways limits ORH's potential market (discussed following), but does not eliminate it.
 - ✈ Even minor ground access improvements to existing roadways could change perceptions and expand ORH's catchment area.
- ✈ Perception and awareness of the actual capacity and limitations of ORH's landing system and ground access are more critical limitations, which can be overcome with appropriate public education.
- ✈ The Master Plan will identify capital improvement requirements in greater detail by the second half of CY2006.

* Based on a non-technical review of facilities and interviews with Airport staff and stakeholders. A technical assessment is included in the Master Plan currently underway and will identify any specific operational limitations, recommend solutions and capital investments required.



Future Airport Operations/Governance

Even assuming optimistic scenarios, the City must be prepared to provide operating subsidies in the near future.

- ✈ Even during a year with relatively high passenger traffic levels (2001), ORH required general fund support for one-third of its operating budget.
- ✈ The City should seek a long-term partnership(s) with public entities, such as Massport, to operate or acquire ORH and/or leverage additional funding support from MAC.
 - ✈ If a partnership is not established and/or primary airport status* is not retained by 2008, the City should scale back ORH operation from Part 139 Certified to General Aviation (GA) services.
- ✈ It is unlikely that a Public-Private Partnership (PPP) could work at ORH given the current lack of commercial activities and construction opportunities.
- ✈ If Worcester decides to solely operate ORH as a GA airport facility, it will likely require extremely high subsidization from the general fund; second only to a City operated commercial service (139 certified) airport with no commercial passengers**.

* A Primary Airport is defined by FAA as enplaning at least 10,000 passengers annually.

** Compared to the scenarios tested and presented by IMG. See Appendix A for General Fund impact comparisons.



Future Airport Operations/Governance

Even assuming optimistic scenarios, the City must be prepared to provide operating subsidies in the near future (cont'd).

- ✈ All commercial service activity scenarios analyzed indicate a financial savings over a City operated GA facility. Commercial service recovery/development should be the top priority for Worcester.
- ✈ Aviation compatible non-aviation development opportunities could provide additional proceeds of \$330,000 per year; more detailed information is expected from the Master Plan.
- ✈ Even if ORH requires Massport/general fund support for the foreseeable future, ORH still generates economic benefits for the City, County and State.



Future Airport Operations/Governance

The FAA is not likely to allow the City to cease aviation activity and redevelop ORH for non-aviation purposes.

- ✈ To cease aviation activity and redevelop ORH, the City must, meet the stringent FAA criteria and receive consent from the U.S. Secretary of Transportation.
 - ✈ FAA must apply a standard test for accepting the cessation of aviation activity at an airport facility: ***“The cessation of aviation activity at a federally funded facility must be proven to enhance and provide a net benefit to the national aviation system.”***
 - ✈ It is not obvious how terminating aviation activity at ORH would benefit the national aviation system.
- ✈ There is no clear legal process for closing the airport, therefore any attempts to proceed with closure would be costly, uncertain and prolonged.
- ✈ The City will incur financial penalties, be required to repay past Federal funds, and will likely be discouraged/prevented from extracting a profit from the sale of Airport property.
 - ✈ Likely scenario would require ORH to remit all profit/revenue from the sale/lease of land to FAA for the funding of other regional aviation facilities.



Future Airport Operations/Governance

The initiation and rapid growth of commercial air service should create a break even Airport financial position in a decade.

<u>GENERAL FUND SUMMARY</u>	Projected 2006	Projected 2007	Projected 2008	Projected 2009	Projected 2010	Projected 2015	Projected 2020	Projected 2025	TOTAL	NPV 5% - 2005\$
STATUS QUO										
Enplanements	-	-	-	-	-	-	-	-		
CITY OPERATED (GA)	\$ (986,178)	\$ (1,421,909)	\$ (1,871,173)	\$ (1,860,126)	\$ (1,885,916)	\$ (1,509,788)	\$ (1,648,175)	\$ (1,810,248)	\$ (33,845,820)	\$ (21,976,706)
CITY OPERATED (CERT. 139)	\$ (986,178)	\$ (1,421,909)	\$ (2,735,925)	\$ (2,742,173)	\$ (2,785,604)	\$ (2,503,116)	\$ (2,744,890)	\$ (3,021,109)	\$ (52,362,155)	\$ (33,137,061)
MASSPORT OPERATED (67% CONTRIBUTION)	\$ (986,178)	\$ (1,421,909)	\$ (1,373,782)	\$ (1,353,488)	\$ (1,369,873)	\$ (944,305)	\$ (1,029,042)	\$ (1,133,020)	\$ (23,344,088)	\$ (15,633,380)
LIMITED COMMERCIAL ACTIVITY										
Enplanements	10,000	10,400	10,816	11,249	11,699	14,233	17,317	21,068		
CITY OPERATED (CERT. 139)	\$ (926,616)	\$ (1,337,264)	\$ (2,559,168)	\$ (2,556,431)	\$ (2,590,164)	\$ (2,296,211)	\$ (2,474,267)	\$ (2,644,859)	\$ (47,708,520)	\$ (30,349,692)
MASSPORT OPERATED (67% CONTRIBUTION)	\$ (926,616)	\$ (1,337,264)	\$ (1,285,229)	\$ (1,260,761)	\$ (1,272,690)	\$ (869,326)	\$ (939,737)	\$ (1,008,858)	\$ (21,466,364)	\$ (14,428,818)
EXTENDED RETURN OF SERVICE										
Enplanements	10,000	10,800	11,664	12,597	13,605	19,990	29,372	43,157		
CITY OPERATED (CERT. 139)	\$ (925,614)	\$ (1,330,408)	\$ (2,529,550)	\$ (2,512,894)	\$ (2,530,832)	\$ (2,145,738)	\$ (2,146,164)	\$ (2,008,274)	\$ (43,232,336)	\$ (28,050,377)
MASSPORT OPERATED (67% CONTRIBUTION)	\$ (925,614)	\$ (1,330,408)	\$ (1,273,086)	\$ (1,242,626)	\$ (1,247,783)	\$ (819,670)	\$ (831,463)	\$ (798,785)	\$ (19,931,853)	\$ (13,625,951)
RAPID RETURN OF SERVICE										
Enplanements	10,000	35,609	44,647	67,465	74,212	119,518	192,486	310,000		
CITY OPERATED (CERT. 139)	\$ (924,930)	\$ (1,121,251)	\$ (1,956,947)	\$ (1,549,479)	\$ (1,447,710)	\$ 92,355	\$ 1,905,869	\$ 5,303,730	\$ 13,810,695	\$ 2,104,654
MASSPORT OPERATED (67% CONTRIBUTION)	\$ (924,930)	\$ (1,121,251)	\$ (991,966)	\$ (771,386)	\$ (721,004)	\$ (81,100)	\$ 505,708	\$ 1,614,177	\$ 321,375	\$ (2,552,216)

*FY2006-2007 assumes Massport operation/management of ORH under existing agreement with the City in all scenarios.
Management/operation assumptions materialize in FY2008.*

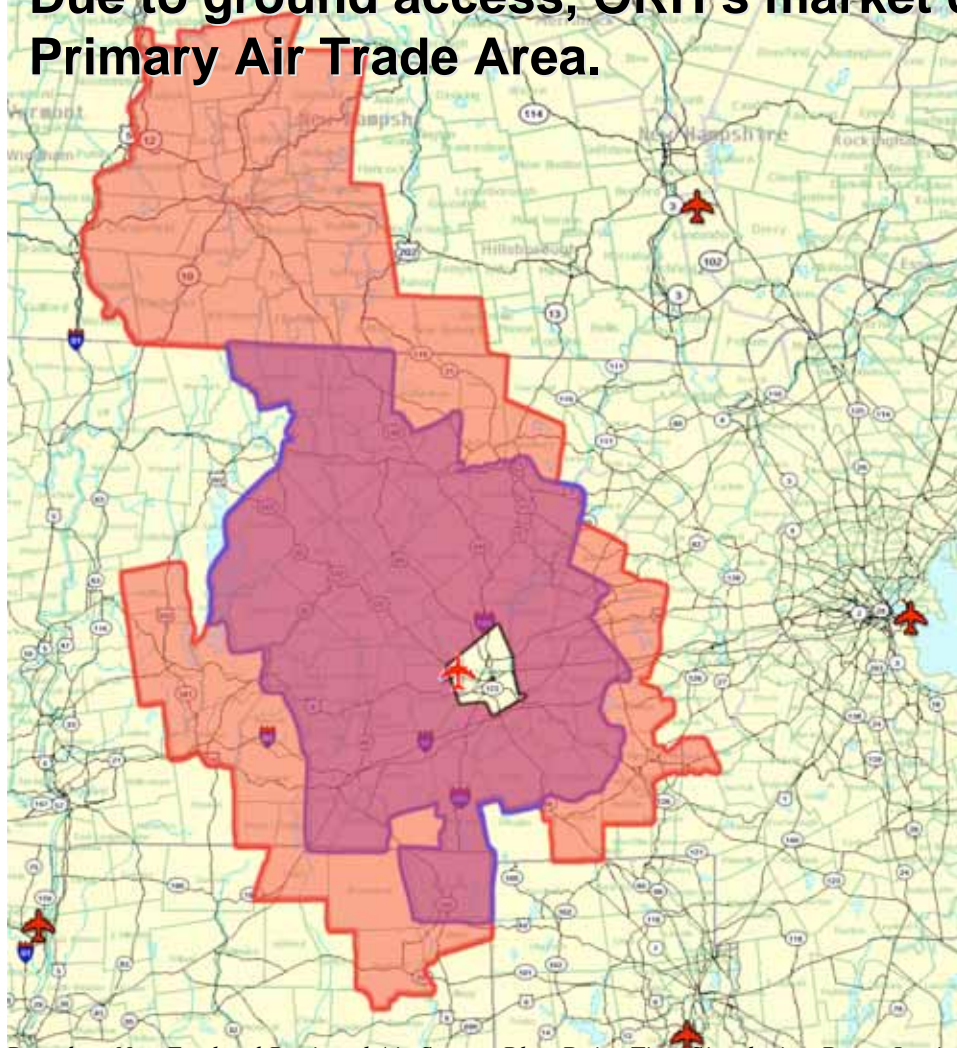
All annual impacts to the General Fund include annual Debt Service payments.

Annual figures do not add to Total due to the presentation of projections in five year increments.





Due to ground access, ORH's market could be reduced to the Primary Air Trade Area.



✈ Catchment Area

The orange shaded area represents towns that are closer in driving time to ORH than any other commercial airport yielding a population of 1,004,559 and annual enplanements of 1,038,923.

✈ Primary Air Trade Area

The purple shaded area represents towns that are at least **20 minutes and 30 percent** closer to ORH than any other commercial airport yielding a population of 623,530 and annual enplanements of 528,843.

Based on New England Regional Air System Plan Drive Time Simulation Data; Louis Berger Group



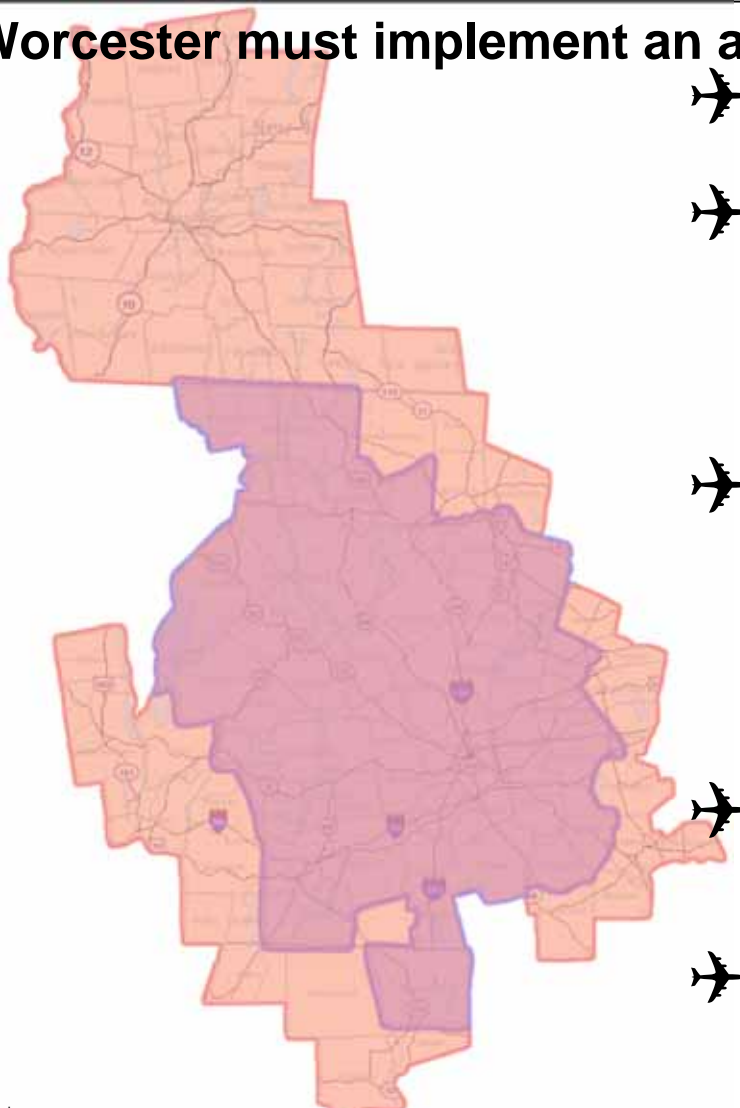
Air Service Strategy

Worcester faces stiff competition, primarily from Boston and Providence, yet residents are willing to try closer and more convenient air service alternatives.

- ✈ Because of this and since travel to competing airports is relatively easy, direct point-to-point service to top origin and destination (O&D) markets will provide ORH with the greatest long-term possibility of successful commercial service.
- ✈ Both the New England Regional Aviation System Plan (NERASP) and recent Worcester Regional Chamber surveys, of area residents indicate passengers' willingness to use ORH.
- ✈ Top markets defined in both surveys include:
 - ✈ Washington/Baltimore
 - ✈ Orlando
 - ✈ South Florida
 - ✈ Chicago
 - ✈ Atlanta
- ✈ Given the regional competitive environment, ORH's most likely opportunities lie with new entrant, start-up, and/or charter airlines.
- ✈ For long-term success, Worcester's focus should be on cost-conscious, non-stop leisure travelers.



Worcester must implement an aggressive multi-faceted marketing strategy.



- ✈ A regional coalition should be formed to capitalize on joint efforts and strengths.
- ✈ Worcester may possibly want to consider changing the name to better reflect the regional marketing strategy, such as: “Worcester-Boston Regional Airport” or “Boston Metro-Worcester Airport.”
- ✈ Worcester will need to create a compelling marketing proposition for airlines, that includes a clear and consistent message about ORH’s convenience, operational effectiveness, efficiency, and market characteristics.
- ✈ It will likely take at least two years to secure additional commercial service, as other airports’ experience has shown.
- ✈ ORH must apply all short-term efforts toward retaining Primary Airport* status to leverage federal capital improvement funds.

* A Primary Airport is defined by FAA as enplaning at least 10,000 passengers annually.



Recommendations for the Future

The next steps for the City of Worcester will be:

- ✈ Immediately begin discussions with Massport to partner with Worcester through a long-term operation/management contract or acquisition/ownership and advance their strategic goals and policy of achieving greater regionalization in New England.
- ✈ Build regional coalition and frame ORH as a regional/state asset.
- ✈ Possibly consider changing the name of “Worcester Regional Airport” to better reflect the regional marketing strategy and proximity to Boston. This will then be used in the marketing and recruitment to airlines.
- ✈ Continue to work with the New England Regional Aviation System Plan (NERASP) study group and the master plan team.
- ✈ Attract commercial air service:
 - ✈ Implement marketing strategy
 - ✈ Promote the Small Community Air Service Marketing grant package to airlines.
- ✈ Promote the Airport to all potential user groups and geographies through the regional coalition and the proposed marketing plan.
- ✈ If a partnership is not established and/or primary airport status is not retained by FY2008, the City should scale back ORH operation from a Part 139 Certified commercial airport to only provide General Aviation (GA) services.